

Berkshire

FINE SPINNING ASSOCIATES, INC.

ANNUAL REPORT

TO THE STOCKHOLDERS

1954

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FINE SPINNING ASSOCIATES, INC.

ANNUAL REPORT

For the Year Ended September 30, 1954

TO THE STOCKHOLDERS OF
BERKSHIRE FINE SPINNING ASSOCIATES, INC.

There is presented herewith the annual report for the year ended September 30, 1954.

FINANCIAL The Net Income for the year was \$1,033,297 on sales of \$45,702,301 compared with \$2,439,265 on sales of \$58,951,441 in 1953. This income is after Depreciation of \$978,346 and Federal and State Income Taxes of \$1,120,000. Working Capital at the end of the year was \$26,892,982, a decrease of \$236,340. Stockholders' Equity was \$35,142,027.

DIVIDENDS A Dividend of \$.25 per share was paid each quarter, making a total distribution for the year of \$1.00 per share, aggregating \$1,899,748.

PLANTS AND EQUIPMENT No new plants were acquired during the year, but we have continued our policy of making improvements and additions to existing plant facilities where the return on the investment seemed adequate. The largest Capital expenditures were made at the King Philip Finishing Plant to develop new finishes and to improve the general efficiency of the Plant.

On August 31, 1954, Hurricane Carol struck New England, causing some damage to our Rhode Island and Fall River mills. At King Philip E Division in Fall River the roof was blown off and much machinery was damaged by water. The roof has been repaired and part of the plant has returned to normal operation. All of the damage that occurred at this plant was covered by insurance. Fortunately no serious injury was suffered by any of our employees during the hurricane. The cooperation of all employees was excellent and we wish to commend all who rose to the occasion during the emergency.

EMPLOYEE RELATIONS We have continued to operate under the labor contract made in April 1953 with no important changes. This contract expires in April 1955.

GENERAL The past year has been a difficult one for the Textile Industry. The depressed conditions that began in the latter part of 1953 have continued through 1954. There was a sharp drop in the Sales prices of our goods while, at the same time, the cost of cotton increased. Prices of some of our styles fell below the cost of production which forced the curtailment of operations at the plants where these styles were made. The operations for the first six months of the fiscal year were profitable. The decline in earnings as compared to the previous year occurred mostly in the last six months. In recent weeks there has been increased activity in the market for our goods.

Our cloth inventory is substantially higher than it was a year ago, but it is composed of goods that are moving currently and over 70% of it is sold for delivery over the next few months at prices higher than that at which it is carried in inventory.

With the continued increase in population and with generally satisfactory economic conditions throughout the country, we expect that we will be able to sell a large volume of goods during the coming year, but while there have been some increases in prices, they are not as yet satisfactory. We expect business to remain competitive in the months ahead.

We appreciate the loyal support that has been given by the whole organization during a difficult year.

November 30, 1954

JOHN H. McMAHON
Chairman of the Board

M. G. CHACE, JR.
President

FINE SPINNING ASSOCIATES, INC.

FISCAL YEARS →	1954	1953	1952	1951
Net Sales	\$45,702,301	\$58,951,441	\$48,544,524	\$60,987,366
Total Taxes, including Social Security, Property and Income . .	2,439,327	4,253,685	1,259,222	6,007,924
Taxes per Share of Common Stock . .	1.29	2.20	.65	3.08
Net Earnings Available for Dividends	1,033,297	2,439,265	179,520	3,138,625
Earnings per Share of Common Stock	.55	1.26	.09	1.61
Dividends Paid per Share of Common Stock	1.00	1.00	1.20	1.75
Net Expenditures for Plant Assets . .	572,142	2,811,796	1,926,197	1,784,494
Working Capital	26,892,982	27,129,322	27,049,974	28,680,883
Total Stockholders' Equity	35,142,027	36,463,541	36,182,551	38,105,547
Common Shares Outstanding (End of Year)	*1,895,204	*1,932,564	1,948,629	1,948,629

*The number of shares of Common Stock changed in these years.

Comparative Financial Data

1950	1949	1948	1947	1946	1945
\$63,466,253	\$50,911,799	\$69,889,757	\$68,444,883	\$42,860,655	\$36,043,026
5,124,152	3,056,397	10,430,398	9,964,411	6,412,877	5,766,572
2.63	1.57	5.35	6.29	13.53	12.61
4,106,689	2,519,125	13,176,798	12,844,552	5,683,038	1,796,248
2.11	1.29	6.75	7.94	11.30	3.14
1.40	2.40	2.40	1.17	1.75	1.75
1,815,350	1,136,284	1,136,397	819,092	194,453	58,188
28,594,444	28,345,366	30,944,724	22,725,217	14,952,093	10,726,085
38,377,022	36,991,009	39,013,414	30,108,390	19,248,082	15,362,075
1,948,629	1,948,629	*1,948,629	*1,583,094	*473,986	457,126

FINE SPINNING

Consolidated

ASSETS

	September 30, 1954	September 30, 1953
CURRENT ASSETS		
Cash	\$ 4,708,877.60	\$ 8,123,810.92
Accounts Receivable (Less Reserve \$372,174.86-1954; \$372,823.63-1953)	2,706,337.25	3,552,482.40
Marketable Securities (Including U. S. Governments \$138,342.83-1954) (Estimated Market Value \$149,411.58 at September 30, 1954)	148,986.58	2,536,485.53
Inventories (Note A)		
Raw Materials	2,865,668.42	3,801,111.56
Stock in Process	1,824,077.96	1,786,249.23
Cloth	16,449,188.58	9,932,796.25
Waste	190,346.61	164,935.38
Total Inventories	21,329,281.57	15,685,092.42
TOTAL CURRENT ASSETS	28,893,483.00	29,897,871.27
OTHER ASSETS AND DEFERRED CHARGES		
Plant Construction, Improvement and Replacement Fund (Note B)		
Cash	54,703.59	104,086.18
Marketable Securities (Including U. S. Governments \$2,712,737.32-1954) (Estimated Market Value \$2,802,171.38 at September 30, 1954)	2,813,688.55	3,451,828.55
Total Plant Construction, Improvement and Replacement Fund	2,868,392.14	3,555,914.73
Investment in Correlated Companies	518,580.55	518,580.55
Notes and Other Amounts Receivable	86,430.05	91,636.50
Prepaid Insurance, Taxes and Other Assets	534,396.53	459,806.06
Supplies Inventory, Including Fuel	324,929.17	386,572.61
TOTAL OTHER ASSETS AND DEFERRED CHARGES	4,332,728.44	5,012,510.45
PLANT ASSETS (Note C)		
Properties Comprising Land, Buildings, Machinery, Equipment, and Developed Water Power	21,317,375.34	20,968,913.55
Less: Depreciation Reserves	10,201,059.47	9,447,205.23
NET PLANT ASSETS	11,116,315.87	11,521,708.32
TOTAL ASSETS	\$44,342,527.31	\$46,432,090.04

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ASSOCIATES, INC.

Balance Sheets

LIABILITIES

	September 30, 1954	September 30, 1953
CURRENT LIABILITIES		
Accounts and Vouchers Payable	\$ 1,275,811.93	\$ 1,700,660.47
Taxes Accrued or Payable	220,832.68	446,184.18
Social Security and Withholding Taxes Payable	503,856.14	621,704.12
Provision for Federal Taxes on Income (<i>Note D</i>)	1,160,560.55	2,780,029.91
Less: U. S. Government Securities	1,160,560.55	2,780,029.91
Net Provision for Federal Taxes on Income	— 0 —	— 0 —
TOTAL CURRENT LIABILITIES	2,000,500.75	2,768,548.77
RESERVE FOR DECLINE IN INVENTORY VALUES AND OTHER CONTINGENCIES	2,400,000.00	2,400,000.00
RESERVE FOR REPLACEMENT OF PLANT (Beyond Amount Provided by Current Depreciation Reserves)	4,800,000.00	4,800,000.00
STOCKHOLDERS' EQUITY		
Common Stock (\$5.00 Par Value)		
Authorized 3,000,000 Shares — Issued 1,948,629 Shares	9,743,145.00	9,743,145.00
Assets Received from Stockholders in Excess of Par Value of Common Stock Issued (Net) (Capital Surplus)	1,541,956.49	1,541,956.49
Earnings Retained in the Business	24,524,283.70	25,390,734.64
Totals	35,809,385.19	36,675,836.13
Less: Common Stock in Treasury at Cost (53,425 Shares—1954; 16,065 Shares—1953)	667,358.63	212,294.86
NET STOCKHOLDERS' EQUITY	35,142,026.56	36,463,541.27
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$44,342,527.31	\$46,432,090.04



FINE SPINNING ASSOCIATES, INC.

Notes to Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 1954

Basis of Consolidation — The Consolidated Financial Statements include the accounts of all Subsidiary Companies.

Note (A) — Inventories

Raw Materials are priced at the "lower of Cost or Market", the material content of Stock in Process at a standard established in 1933, which is substantially less than current market, and the "lower of Cost or Market" is the basis for materials in cloth. The standard cost basis, (approximating actual costs), is used in valuing Labor and Manufacturing Burden in Stock in Process, as well as Cloth. Waste is valued at a conservative Market. The verification of the Raw Materials, Stock in Process, and Cloth included a review of the Inventory records and procedures, physical examination of Raw Materials and Cloth and test of Stock in Process quantities, at the end of the fiscal year, at all Plants, and confirmation by direct correspondence of merchandise quantities in the possession of outside Finishers.

Note (B) — Plant Construction, Improvement and Replacement Fund

Of a Plant Fund, at September 30, 1953, totalling \$3,555,914.73, there remains, after acquisition charges of \$687,522.59, a balance amounting to \$2,868,392.14.

Note (C) — Plant Assets

Plant Assets are stated in the Balance Sheet at cost with the exception of those assets acquired prior to April 1, 1934, which are stated at the depreciated book value on that date. Depreciation has been charged to Operations on the basis of the useful lives or residual values of the various items of depreciable Plant Assets.

Note (D) — Provision for Federal Taxes on Income

The Company's Tax Returns have been inspected by the Audit Division of the Income Tax Unit through September 30, 1950. Subsequent years have not been examined or reviewed, but it is our opinion that the outstanding Reserve, at September 30, 1954, provides for tax liabilities to that date.

Note (E) — Renegotiation

In our opinion, the Company is not subject to Renegotiation of Defense Contracts to September 30, 1954.

Note (F) — Purchase Commitments

The Company has outstanding Plant Improvements and Material Commitments amounting to \$2,350,000.00. The materials are at prices approximating market.

Note (G) — Hurricane Loss

Substantial hurricane damage was sustained to the Plant Assets and Inventory, as well as a loss from the forced shutdown of King Philip E Plant. Claims approved by the Insurance Companies to September 30, 1954 have been recorded in the books. The entire Hurricane Loss is expected to be reimbursed by the Insurance Companies.



FINE SPINNING ASSOCIATES, INC.

Condensed Consolidated Statement of Income

	YEARS ENDED	
	September 30, 1954	September 30, 1953
INCOME:		
Sales (Net)	\$45,702,301.01	\$58,951,441.16
Other Income	388,254.84	281,438.20
	<u>46,090,555.85</u>	<u>59,232,879.36</u>
COSTS AND EXPENSES:		
Materials, Operating and General Expense	42,890,698.20	52,861,562.40
Depreciation and Amortization	978,346.43	897,189.59
Other Expenses	68,214.41	94,862.54
Provision for Taxes on Income	1,120,000.00	2,940,000.00
	<u>45,057,259.04</u>	<u>56,793,614.53</u>
NET INCOME	<u>\$ 1,033,296.81</u>	<u>\$ 2,439,264.83</u>

Statement of Earnings Retained in the Business

Earnings Retained in the Business at Beginning of Year	\$25,390,734.64	\$24,897,448.81
Net Income for the Year	1,033,296.81	2,439,264.83
	<u>26,424,031.45</u>	<u>27,336,713.64</u>
Dividends Paid	1,899,747.75	1,945,979.00
EARNINGS RETAINED IN THE BUSINESS AT END OF YEAR	<u>\$24,524,283.70</u>	<u>\$25,390,734.64</u>

Certificate of Auditors

We have examined the Consolidated Balance Sheet of Berkshire Fine Spinning Associates, Inc. and its subsidiaries as of September 30, 1954 and the related Statements of Income and Earnings Retained in the Business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and related Statements of Income and Earnings Retained in the Business, with the notations thereto, fairly present the Company's consolidated financial position at September 30, 1954 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON

Certified Public Accountants

Providence, R. I., October 25, 1954



DIRECTORS

JAMES C. BRADY
JONATHAN CHACE
MALCOLM G. CHACE
MALCOLM G. CHACE, JR.
LINSLEY V. DODGE
BRADFORD R. FROST
MANLIO FROVA
CARLOS S. HOLCOMB
ARTHUR INGRAHAM, JR.
THOMAS J. KENNEDY
W. R. L. MCBEE
JOHN H. McMAHON
IRWIN L. MOORE
HENRY S. NEWCOMBE
WILLIAM A. O'HEARN
WILLIAM C. PLUNKETT
GIBBS W. SHERRILL
THOMAS F. TANSEY
AVERY K. WHITE
FREDERICK C. WILLIAMS
A. N. WINSLOW, JR.

OWNERS

The Company had 12,994 stockholders on
September 30, 1954

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OFFICERS

Chairman of the Board	JOHN H. McMAHON
President and Treasurer	MALCOLM G. CHACE, JR.
Vice President	LINSLEY V. DODGE
Vice President	MANLIO FROVA
Vice President	THOMAS J. KENNEDY
Vice President	BERTRAND D. MANLEY
Vice President	HENRY S. NEWCOMBE
Vice President and Clerk	GIBBS W. SHERRILL
Vice President	THOMAS F. TANSEY
Vice President	AVERY K. WHITE
Assistant Treasurer	EDWARD H. ARNOLD
Assistant to President and Assistant Secretary .	JOHN J. McMAHON

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EXECUTIVE COMMITTEE

JAMES C. BRADY	JOHN H. McMAHON
MALCOLM G. CHACE	IRWIN L. MOORE
MALCOLM G. CHACE, JR.	GIBBS W. SHERRILL
W. R. L. MCBEE	A. N. WINSLOW, JR.



FINE SPINNING ASSOCIATES, INC.

EXECUTIVE OFFICES

HOSPITAL TRUST BUILDING, PROVIDENCE, R. I.

SALES OFFICES

40 WORTH STREET, NEW YORK, N. Y.

1450 BROADWAY, NEW YORK, N. Y.

261 FIFTH AVENUE, NEW YORK, N. Y.

PLANT LOCATIONS

MASSACHUSETTS

ADAMS • NORTH ADAMS • HOLYOKE • FALL RIVER

RHODE ISLAND

ALBION • ANTHONY • WARREN

VERMONT

BRATTLEBORO

BLEACHERY & DYE WORKS

LONSDALE, R. I.

CURTAIN FACTORIES

WARREN, R. I.

FALL RIVER, MASS.

LABORATORY AND MACHINE SHOP

WARREN, R. I.

Berkshire

FINE SPINNING ASSOCIATES, INC.